

MOTION BY SUPERVISORS GLORIA MOLINA
AND MICHAEL ANTONOVICH

September 25, 2007

AGENDA ITEM NO. 36

Leading economic indicators are showing a flattening of economic growth not only nationally but here in Los Angeles County. Property taxes now represent over 61% of the County's discretionary revenues and a slower housing market can have a significant impact on Los Angeles County's fiscal condition.

For FY 2006-07, actual property tax grew by 8% which was over 2.8% below the CEO's original estimate of 10.8%—approximately \$70 million less than originally expected. The percentage of unpaid property tax bills rose by 52% between FY 2005-06 and FY 2006-07. At the close of FY 2006-07, Proposition 172 (Public Safety Sales Taxes) revenues were down by 0.1% from FY 2005-06 and 5.6% under what was projected, resulting in a \$40.7 million adjustment to the FY 2007-08 adopted budget.

According to the UCLA Anderson School of Economics, housing prices are forecast to decline 10 to 15% from their peak. Although they are not currently forecasting a recession,"... When the economy slows to a very low rate of growth, it

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Molina	_____
Burke	_____
Knabe	_____
Antonovich	_____
Yaroslavsky	_____

doesn't take much to tip you into a recession."

Los Angeles County needs to ensure it is in a position to manage its finances in such a way that critical and mandated services are not impacted and the County is poised to weather a potential downturn in the economy.

THEREFORE, WE MOVE THAT:

- 1) The CEO closely monitor key revenue indicators and provide a report to the Board by the end of January 2008 that updates the revenue forecasts included in the FY 2007-08 Adopted budget to ensure we are on track for receiving the revenues budgeted; and
- 2) Should the revenue projections show that there will be projected shortfalls, the CEO identify solutions that avoid disruption in critical and mandated services. Such solutions could include freezing non-critical vacant positions and delaying non-critical initiatives or equipment purchases.

LO/ld